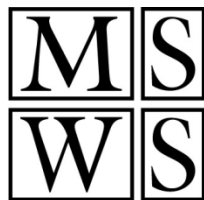


**JEWISH FOUNDATION FOR GROUP HOMES, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2017**



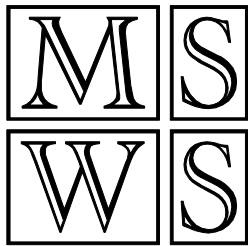
**MULLEN SONDBERG WIMBISH & STONE, PA**  

---

**CERTIFIED PUBLIC ACCOUNTANTS**

## TABLE OF CONTENTS

|                                  | <u>Page</u> |
|----------------------------------|-------------|
| Independent auditor's report     | 1 – 2       |
| Financial statements             |             |
| Statement of financial position  | 3 – 4       |
| Statement of activities          | 5           |
| Statement of functional expenses | 6           |
| Statement of cash flows          | 7           |
| Notes to financial statements    | 8 – 25      |



MULLEN & SONDBERG  
WIMBISH & STONE, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

2553 Housley Road • Suite 200 • Annapolis, Maryland 21401

---

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Jewish Foundation for Group Homes, Inc.  
Rockville, Maryland

We have audited the accompanying financial statements of Jewish Foundation for Group Homes, Inc. (a non-profit Organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Board of Directors of  
Jewish Foundation for Group Homes, Inc.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jewish Foundation for Group Homes, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Jewish Foundation for Group Homes, Inc.'s 2016 financial statements, and our report dated November 30, 2016 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



MULLEN, SONDBERG, WIMBISH & STONE, P.A.

Annapolis, Maryland  
November 17, 2017

Jewish Foundation for Group Homes, Inc.  
STATEMENT OF FINANCIAL POSITION  
June 30, 2017

| ASSETS  |  | 2017                        | 2016                        |
|---|--|-----------------------------|-----------------------------|
|   |  | <u>2017</u>                 | <u>2016</u>                 |
| <b>CURRENT ASSETS</b>   |  |                             |                             |
| Cash and cash equivalents   |  | \$ 580,278                  | \$ 53,671                   |
| Investments   |  | 3,128,175                   | 2,664,087                   |
| Accounts receivable - funding agencies  |  | 463,216                     | 439,900                     |
| Accounts receivable - other, net of allowance for doubtful accounts                       |  | 28,755                      | 7,218                       |
| Unconditional promises to give, net of allowance and discount                             |  | 132,351                     | 163,582                     |
| Prepaid expenses  |  | <u>101,762</u>              | <u>133,288</u>              |
| Total current assets  |  | <u>4,434,537</u>            | <u>3,461,746</u>            |
| <b>PROPERTY AND EQUIPMENT</b>   |  |                             |                             |
| Net of accumulated depreciation   |  | <u>10,943,777</u>           | <u>10,653,689</u>           |
| <b>OTHER ASSETS</b>   |  |                             |                             |
| Beneficial interest in the assets of Jewish Foundation<br>for Group Homes Endowment, Inc. |  | 12,778,502                  | 11,504,001                  |
| Unconditional promises to give, net of discount   |  | 35,086                      | 54,392                      |
| Cash surrender value - life insurance   |  | 559,461                     | 555,004                     |
| Deposits  |  | <u>7,880</u>                | <u>5,880</u>                |
| Total other assets  |  | <u>13,380,929</u>           | <u>12,119,277</u>           |
| Total assets  |  | <u><u>\$ 28,759,243</u></u> | <u><u>\$ 26,234,712</u></u> |

The accompanying notes are an integral part of these financial statements.

Jewish Foundation for Group Homes, Inc.  
STATEMENT OF FINANCIAL POSITION (Cont.)  
June 30, 2017

| LIABILITIES AND NET ASSETS                               | 2017          | 2016          |
|--|---------------|---------------|
|  | 2017          | 2016          |
| <b>CURRENT LIABILITIES</b>                               |               |               |
| Accounts payable   | \$ 159,087    | \$ 284,168    |
| Accrued payroll and related liabilities                  | 190,855       | 187,502       |
| Due to Jewish Foundation for Group Homes Endowment, Inc. | 95,494        | 17,105        |
| Due to consumers   | 31,900        | 28,444        |
| Deferred revenue   | 10,522        | 47,725        |
| Line of credit   | 1,875,000     | 1,435,000     |
| Notes payable  | 9,832         | 23,772        |
| Capital lease obligations                                | 101,557       | 23,314        |
| Total current liabilities                                | 2,474,247     | 2,047,030     |
| <b>LONG-TERM LIABILITIES</b>                             |               |               |
| Notes payable  | 25,296        | 35,129        |
| Deferred mortgages payable                               | 319,537       | 319,537       |
| Deferred grant revenue                                   | 2,603,387     | 2,603,387     |
| Capital lease obligations                                | 436,698       | 132,007       |
| Total long-term liabilities                              | 3,384,918     | 3,090,060     |
| Total liabilities  | 5,859,165     | 5,137,090     |
| <b>NET ASSETS</b>  |               |               |
| Unrestricted:  |               |               |
| Operating  | 7,045,837     | 7,348,106     |
| Board designated   | 1,935,455     | 1,685,983     |
| Total unrestricted net assets                            | 8,981,292     | 9,034,089     |
| Temporarily restricted net assets:                       |               |               |
| Temporarily restricted                                   | 1,140,284     | 559,532       |
| Temporarily restricted - JFGH-E                          | 12,115,851    | 10,933,125    |
| Total temporarily restricted net assets                  | 13,256,135    | 11,492,657    |
| Permanently restricted - JFGH-E                          | 662,651       | 570,876       |
| Total net assets   | 22,900,078    | 21,097,622    |
| Total liabilities and net assets                         | \$ 28,759,243 | \$ 26,234,712 |

The accompanying notes are an integral part of these financial statements.

Jewish Foundation for Group Homes, Inc.  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2017  
With Summarized Financial Information for the Year Ended June 30, 2016

|   | Operating           | Board Designated    | Total Unrestricted  | Temporarily Restricted | Temporarily Restricted JFGH-E | Total Temporarily Restricted | Permanently Restricted JFGH-E | Total                |                      |
|---|---------------------|---------------------|---------------------|------------------------|-------------------------------|------------------------------|-------------------------------|----------------------|----------------------|
|   |                     |                     |                     |                        |                               |                              |                               | 2017                 | 2016                 |
| <b>REVENUES, GAINS AND OTHER SUPPORT</b>              |                     |                     |                     |                        |                               |                              |                               |                      |                      |
| State program fees and grants                         | \$ 8,774,090        | \$ -                | \$ 8,774,090        | \$ -                   | \$ -                          | \$ -                         | \$ -                          | \$ 8,774,090         | \$ 7,840,100         |
| Contributions and fundraising, net of direct expenses | 1,712,904           | -                   | 1,712,904           | 721,513                | 31,856                        | 753,369                      | 2,780                         | 2,469,053            | 1,503,147            |
| Realized/unrealized gain on investments               | 40,780              | 169,802             | 210,582             | 26,981                 | 1,478,246                     | 1,505,227                    | 78,095                        | 1,793,904            | 258,875              |
| Other grants  | 982,727             | -                   | 982,727             | -                      | -                             | -                            | -                             | 982,727              | 871,360              |
| Other program service fees                            | 767,683             | -                   | 767,683             | -                      | -                             | -                            | -                             | 767,683              | 734,119              |
| Consumer fees   | 619,267             | -                   | 619,267             | -                      | -                             | -                            | -                             | 619,267              | 605,504              |
| Investment income, net of expenses                    | 17,454              | 33,670              | 51,124              | 5,376                  | 206,240                       | 211,616                      | 10,900                        | 273,640              | 289,644              |
| Jewish Federation allocation                          | 189,104             | -                   | 189,104             | -                      | -                             | -                            | -                             | 189,104              | 183,896              |
| Gain on disposal of property and equipment            | 40,190              | -                   | 40,190              | -                      | -                             | -                            | -                             | 40,190               | 17,223               |
| Other income  | 16,772              | -                   | 16,772              | -                      | -                             | -                            | -                             | 16,772               | 20,645               |
|   | <u>13,160,971</u>   | <u>203,472</u>      | <u>13,364,443</u>   | <u>753,870</u>         | <u>1,716,342</u>              | <u>2,470,212</u>             | <u>91,775</u>                 | <u>15,926,430</u>    | <u>12,324,513</u>    |
| Net assets released from restriction                  | <u>808,734</u>      | <u>(102,000)</u>    | <u>706,734</u>      | <u>(173,118)</u>       | <u>(533,616)</u>              | <u>(706,734)</u>             | <u>-</u>                      | <u>-</u>             | <u>-</u>             |
| Total revenues, gains, and other support              | <u>13,969,705</u>   | <u>101,472</u>      | <u>14,071,177</u>   | <u>580,752</u>         | <u>1,182,726</u>              | <u>1,763,478</u>             | <u>91,775</u>                 | <u>15,926,430</u>    | <u>12,324,513</u>    |
| <b>EXPENSES</b>                                       |                     |                     |                     |                        |                               |                              |                               |                      |                      |
| Program services                                      |                     |                     |                     |                        |                               |                              |                               |                      |                      |
| Residential Group Homes                               | 9,971,571           | -                   | 9,971,571           | -                      | -                             | -                            | -                             | 9,971,571            | 9,056,301            |
| Greenwald CSLA/Personal Support Program               | 1,123,763           | -                   | 1,123,763           | -                      | -                             | -                            | -                             | 1,123,763            | 962,604              |
| MOST Program  | 780,310             | -                   | 780,310             | -                      | -                             | -                            | -                             | 780,310              | 710,343              |
| Oshinsky Apartment Program                            | 458,144             | -                   | 458,144             | -                      | -                             | -                            | -                             | 458,144              | 455,932              |
| Total program services                                | <u>12,333,788</u>   | <u>-</u>            | <u>12,333,788</u>   | <u>-</u>               | <u>-</u>                      | <u>-</u>                     | <u>-</u>                      | <u>12,333,788</u>    | <u>11,185,180</u>    |
| Supporting services                                   |                     |                     |                     |                        |                               |                              |                               |                      |                      |
| Management and general                                | 1,472,117           | -                   | 1,472,117           | -                      | -                             | -                            | -                             | 1,472,117            | 1,323,066            |
| Fundraising   | 318,069             | -                   | 318,069             | -                      | -                             | -                            | -                             | 318,069              | 336,564              |
| Total supporting services                             | <u>1,790,186</u>    | <u>-</u>            | <u>1,790,186</u>    | <u>-</u>               | <u>-</u>                      | <u>-</u>                     | <u>-</u>                      | <u>1,790,186</u>     | <u>1,659,630</u>     |
| Total expenses  | <u>14,123,974</u>   | <u>-</u>            | <u>14,123,974</u>   | <u>-</u>               | <u>-</u>                      | <u>-</u>                     | <u>-</u>                      | <u>14,123,974</u>    | <u>12,844,810</u>    |
| Change in net assets before designations              | (154,269)           | 101,472             | (52,797)            | 580,752                | 1,182,726                     | 1,763,478                    | 91,775                        | 1,802,456            | (520,297)            |
| Transfer to board designated                          | (148,000)           | 148,000             | -                   | -                      | -                             | -                            | -                             | -                    | -                    |
| Change in net assets                                  | (302,269)           | 249,472             | (52,797)            | 580,752                | 1,182,726                     | 1,763,478                    | 91,775                        | 1,802,456            | (520,297)            |
| NET ASSETS AT BEGINNING OF YEAR                       | <u>7,348,106</u>    | <u>1,685,983</u>    | <u>9,034,089</u>    | <u>559,532</u>         | <u>10,933,125</u>             | <u>11,492,657</u>            | <u>570,876</u>                | <u>21,097,622</u>    | <u>21,617,919</u>    |
| NET ASSETS AT END OF YEAR                             | <u>\$ 7,045,837</u> | <u>\$ 1,935,455</u> | <u>\$ 8,981,292</u> | <u>\$ 1,140,284</u>    | <u>\$ 12,115,851</u>          | <u>\$ 13,256,135</u>         | <u>\$ 662,651</u>             | <u>\$ 22,900,078</u> | <u>\$ 21,097,622</u> |

The accompanying notes are an integral part of these financial statements.

Jewish Foundation for Group Homes, Inc.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2017  
With Summarized Information for the Year Ended June 30, 2016

|  | Program Services           |  |                   |                                  | Supporting Services       |                           |                   | Total                |                      |
|--|----------------------------|--|-------------------|----------------------------------|---------------------------|---------------------------|-------------------|----------------------|----------------------|
|  | Residential<br>Group Homes | Greenwald<br>Personal Support<br>Program | MOST Program      | Oshinsky<br>Apartment<br>Program | Total Program<br>Services | Management and<br>General | Fundraising       | 2017                 | 2016                 |
| Salaries and wages                             | \$ 6,784,834               | \$ 915,962                               | \$ 511,740        | \$ 356,868                       | \$ 8,569,404              | \$ 516,261                | \$ 212,744        | \$ 9,298,409         | \$ 8,290,963         |
| Employee benefits                              | 641,252                    | 83,833                                   | 52,975            | 48,750                           | 826,810                   | 233,187                   | 23,534            | 1,083,531            | 953,971              |
| Payroll taxes                                  | 437,635                    | 65,411                                   | 37,724            | 25,682                           | 566,452                   | 114,939                   | 18,582            | 699,973              | 667,211              |
| <b>Total salaries and<br/>related expenses</b> | <b>7,863,721</b>           | <b>1,065,206</b>                         | <b>602,439</b>    | <b>431,300</b>                   | <b>9,962,666</b>          | <b>864,387</b>            | <b>254,860</b>    | <b>11,081,913</b>    | <b>9,912,145</b>     |
| Depreciation                                   | 372,778                    | 2,934                                    | 43,984            | 2,934                            | 422,630                   | 84,476                    | 7,981             | 515,087              | 472,166              |
| Repairs and maintenance                        | 368,964                    | 753                                      | 30,043            | 1,053                            | 400,813                   | 57,993                    | 2,113             | 460,919              | 472,329              |
| Occupancy                                      | 311,113                    | 10,994                                   | 62,021            | 2,364                            | 386,492                   | 30,930                    | 2,856             | 420,278              | 399,741              |
| Food   | 331,616                    | -  | 436               | 19                               | 332,071                   | 140                       | -                 | 332,211              | 301,713              |
| Supplies and equipment                         | 193,260                    | 8,281                                    | 7,690             | 3,251                            | 212,482                   | 16,776                    | 3,075             | 232,333              | 223,182              |
| Contracted services                            | 114,443                    | 18,286                                   | 4,514             | 3,073                            | 140,316                   | 71,634                    | 2,331             | 214,281              | 223,451              |
| Insurance                                      | 76,538                     | 163                                      | 4,083             | 1,910                            | 82,694                    | 121,267                   | 457               | 204,418              | 188,785              |
| Transportation                                 | 140,725                    | 5,488                                    | 8,921             | 5,982                            | 161,116                   | 10,349                    | 257               | 171,722              | 155,437              |
| Meetings and conferences                       | 40,744                     | -  | 2,854             | -                                | 43,598                    | 71,325                    | 567               | 115,490              | 67,809               |
| Information technology                         | 70,579                     | 10,549                                   | 6,084             | 4,142                            | 91,354                    | 7,943                     | 1,871             | 101,168              | 113,457              |
| Interest                                       | 25,198                     | -  | -                 | -                                | 25,198                    | 24,302                    | -                 | 49,500               | 18,097               |
| Office expenses                                | 8,479                      | -  | -                 | -                                | 8,479                     | 32,454                    | 6,242             | 47,175               | 43,959               |
| Membership dues                                | 6,918                      | -  | -                 | -                                | 6,918                     | 29,875                    | 890               | 37,683               | 44,668               |
| Medical  | 28,490                     | 1,109                                    | 575               | 57                               | 30,231                    | 476                       | -                 | 30,707               | 27,995               |
| Communications                                 | -                          | -  | -                 | -                                | -                         | 12,843                    | 14,087            | 26,930               | 35,470               |
| Staff appreciation                             | 570                        | -  | -                 | -                                | 570                       | 26,335                    | -                 | 26,905               | 54,300               |
| Client activities                              | 14,088                     | -  | 6,666             | 2,059                            | 22,813                    | 450                       | -                 | 23,263               | 11,122               |
| Bad debt                                       | -                          | -  | -                 | -                                | -                         | -                         | 20,482            | 20,482               | 35,548               |
| Miscellaneous                                  | 3,347                      | -  | -                 | -                                | 3,347                     | 8,162                     | -                 | 11,509               | 43,436               |
| <b>Total expenses</b>                          | <b>\$ 9,971,571</b>        | <b>\$ 1,123,763</b>                      | <b>\$ 780,310</b> | <b>\$ 458,144</b>                | <b>\$ 12,333,788</b>      | <b>\$ 1,472,117</b>       | <b>\$ 318,069</b> | <b>\$ 14,123,974</b> | <b>\$ 12,844,810</b> |

The accompanying notes are an integral part of these financial statements.



Jewish Foundation for Group Homes, Inc.  
STATEMENT OF CASH FLOWS  
June 30, 2017

|  | 2017              | 2016              |
|--|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                   |                   |
| Change in net assets   | \$ 1,802,456      | \$ (520,297)      |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |                   |                   |
| Depreciation   | 515,087           | 472,166           |
| Realized/unrealized gain on investments  | (1,793,904)       | (258,875)         |
| Gain on disposal of assets   | (40,190)          | (17,223)          |
| Contributions made through JFGH Endowment, Inc. (net)  | 281,840           | 243,248           |
| In-kind contributions of government bonds  | (120,300)         | (17,000)          |
| Forgiveness of debt  | (13,523)          | -                 |
| (Increase) decrease in operating assets:   |                   |                   |
| Accounts receivable  | (44,853)          | (38,696)          |
| Unconditional promises to give   | 50,537            | (28,700)          |
| Prepaid expenses   | 31,526            | (54,305)          |
| Deposits   | (2,000)           | (1,000)           |
| Increase (decrease) in operating liabilities:  |                   |                   |
| Accounts payable and accrued expenses  | (121,728)         | (105,213)         |
| Due to Jewish Foundation for Group Homes Endowment, Inc.                                       | 78,389            | (123,431)         |
| Due to consumers   | 3,456             | (13,174)          |
| Deferred revenue   | (37,203)          | 23,665            |
|  | <u>589,590</u>    | <u>(438,835)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                   |                   |
| Purchase of property and equipment   | (354,270)         | (272,007)         |
| Proceeds from disposal of property and equipment   | 40,190            | 17,223            |
| Purchase of investments and reinvested earnings  | (993,304)         | (208,274)         |
| Proceeds from sale of investments  | 802,000           | 348,299           |
| Proceeds from maturity of government bonds   | 80,512            | 203,912           |
|  | <u>(424,872)</u>  | <u>89,153</u>     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                   |                   |
| Proceeds from line of credit   | 5,335,000         | 2,802,000         |
| Principal payments on notes payable and line of credit   | (4,905,250)       | (2,709,901)       |
| Principal payments on capital leases   | (67,861)          | (5,932)           |
|  | <u>361,889</u>    | <u>86,167</u>     |
| Net cash provided by financing activities  |                   |                   |
| Net change in cash and cash equivalents  | 526,607           | (263,515)         |
| Cash and cash equivalents at beginning of year   | 53,671            | 317,186           |
| Cash and cash equivalents at end of year   | <u>\$ 580,278</u> | <u>\$ 53,671</u>  |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>   |                   |                   |
| Cash paid during the year for interest   | <u>\$ 49,500</u>  | <u>\$ 18,097</u>  |
| Noncash investing and financing activities:  |                   |                   |
| Property and equipment acquisitions  | \$ 805,065        | \$ 483,260        |
| Less amounts financed  | (450,795)         | (211,253)         |
| Net cash paid for property and equipment   | <u>\$ 354,270</u> | <u>\$ 272,007</u> |

The accompanying notes are an integral part of these financial statements.

Jewish Foundation for Group Homes, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

Note 1 - Summary of Significant Accounting Policies

Nature and Organization

Jewish Foundation for Group Homes, Inc. (JFGH) is incorporated under the laws of the State of Maryland. JFGH is a non-profit Organization which provides community residential services and support for persons with developmental disabilities. JFGH's primary sources of support are government program service fees, grants, and charitable contributions.

Basis of Accounting

JFGH prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with JFGH's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restriction. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Unexpended grant awards are classified as deferred grant revenue until expended for the purposes of the grants since they are considered conditional promises to give.

Jewish Foundation for Group Homes, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Cont.)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the statement of financial position date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

JFGH is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. It is exempt from paying federal income tax on any income except unrelated business income. There is no provision for income taxes as JFGH had no unrelated business income.

JFGH follows the guidance of ASC 740-10, “*Accounting for Uncertainty in Income Taxes*” which clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements, including those of non-profit organizations. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the JFGH’s financial statements.

JFGH analyzes tax positions taken, including those related to the requirements set forth in IRC Sec. 501(c) to qualify as a tax exempt organization, activities performed by volunteers and Board members, the reporting of unrelated business income, and its status as a tax-exempt organization under Maryland State statute. JFGH does not know of any tax benefits arising from uncertain tax positions and there was no effect on JFGH’s financial position or changes in net assets as a result of analyzing its tax positions. Fiscal years ending on or after June 30, 2014 remain subject to examination by federal and State authorities.

Allocation of Functional Expenses

Accounting principles generally accepted in the United States of America require all voluntary health and welfare organizations to present their expenses on a functional basis, separating program services from management and general and fundraising expenses. Functional expenses are either charged directly to program services as incurred or allocated based on usage for items such as occupancy, depreciation and administrative salaries.

Reclassification of Prior Year Balances

Certain reclassifications of prior year balances were made to conform to current year presentation.

Jewish Foundation for Group Homes, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Cont.)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash accounts and all highly liquid investments with an initial maturity of three months or less, except those that are part of an investment portfolio.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in investment income in the statement of activities.

Accounts Receivable

Accounts receivable consists of amounts due from governmental agencies and consumers for services provided by program activities. Accounts receivable due from consumers is presented in the financial statements net of an allowance for doubtful accounts. Management has established an allowance for doubtful accounts for consumer receivables in the amount of \$3,471 at June 30, 2017 and 2016.

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Conditional promises to give are not included as support until the conditions are substantially met. Promises to give are presented in the financial statements net of an allowance for doubtful accounts. Promises to give are determined to be past due on a review of how recently payments have been received. The allowance for doubtful accounts is determined based on an annual review of account balances, including the age of the balance and the past experience with the beneficiary or the beneficiary's sponsor. Bad debt expense is recorded when the allowance is adjusted. Uncollectible promises to give are charged to the allowance for doubtful accounts. The allowance for doubtful accounts was \$53,874 and \$81,953 for the years ended June 30, 2017 and 2016, respectively.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Unconditional promises to give are discounted to present value using a 4% discount rate for the years ending June 30, 2017 and 2016.

Jewish Foundation for Group Homes, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Cont.)

Beneficial Interest

The Jewish Foundation for Group Homes Endowment, Inc. (JFGH-E) is a not-for-profit Organization whose purpose is to hold and manage those assets donated as endowments for the benefit of JFGH and to provide distributions to JFGH therefrom consistent with explicit donor stipulation or the JFGH-E's applicable spending policies.

Property and Equipment

Property and equipment acquisitions in excess of \$1,000 are capitalized and recorded at cost. The cost of maintenance and repairs is charged to current operations as incurred, whereas significant renewals and betterments are capitalized. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Gifts of long-lived assets such as land, buildings or equipment are recorded at their fair values at date of donation and reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, JFGH reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Donated Services

Donated services are recognized as contributions, if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by JFGH. Volunteers perform a variety of tasks throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. JFGH recognized \$-0- in donated services for the years ended June 30, 2017 and 2016, respectively.

Advertising

JFGH expenses advertising costs when incurred. Advertising expenses were \$1,584 and \$3,755 for the years ended June 30, 2017 and 2016, respectively.

Jewish Foundation for Group Homes, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2017

Note 2 - Concentration of Cash Balances

As of June 30, 2017 and 2016 and at various times during the fiscal years then ended, JFGH maintained cash-in-bank balances in excess of the federally insured limit. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Amounts held in excess of FDIC insurance coverage were approximately \$423,000 and \$-0- at June 30, 2017 and 2016, respectively.

Note 3 - Investments

The market values and cost of investments were as follows at June 30:

|                              | 2017                |                         |                             |
|------------------------------|---------------------|-------------------------|-----------------------------|
|                              | Cost                | Fair<br>Market<br>Value | Gross<br>Unrealized<br>Gain |
| Cash / money market          | \$ 463,557          | \$ 463,557              | \$ -                        |
| Equity securities            | 1,226,622           | 1,555,170               | 328,548                     |
| Fixed income securities      | 661,955             | 675,720                 | 13,765                      |
| United Jewish Endowment Fund | 217,689             | 217,689                 | -                           |
| Israel bonds                 | 216,039             | 216,039                 | -                           |
| Total                        | <u>\$ 2,785,862</u> | <u>\$ 3,128,175</u>     | <u>\$ 342,313</u>           |
|                              | 2016                |                         |                             |
|                              | Cost                | Fair<br>Market<br>Value | Gross<br>Unrealized<br>Gain |
| Cash / money market          | \$ 252,021          | \$ 252,021              | \$ -                        |
| Equity securities            | 1,252,852           | 1,393,565               | 140,713                     |
| Fixed income securities      | 614,337             | 644,241                 | 29,904                      |
| United Jewish Endowment Fund | 198,009             | 198,009                 | -                           |
| Israel bonds                 | 176,251             | 176,251                 | -                           |
| Total                        | <u>\$ 2,493,470</u> | <u>\$ 2,664,087</u>     | <u>\$ 170,617</u>           |

Jewish Foundation for Group Homes, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2017

Note 3 - Investments (Cont.)

Investment income is comprised of the following at June 30:

|                        | 2017       | 2016       |
|------------------------|------------|------------|
| Interest and dividends | \$ 374,446 | \$ 396,763 |
| Investment expenses    | (100,806)  | (107,119)  |
| Investment income, net | \$ 273,640 | \$ 289,644 |

Note 4 - Fair Value Measurement

ASC 820, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. JFGH measures fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. JFGH also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability at the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that JFGH has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by JFGH. JFGH considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to JFGH's perceived risk of that instrument.

Jewish Foundation for Group Homes, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2017

Note 4 - Fair Value Measurement (Cont.)

Investments whose values are based on quoted market prices in active markets, and are, therefore classified with Level 1, include active listed equity securities, fixed income securities, and cash and money market funds traded in brokerage firms.

Investments that trade in markets that are not considered to be active, but are valued on quoted market prices, dealer quotations, or alternative price sources supported by observable inputs are classified with Level 2. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect liquidity and/or non-transferability, which are generally based on available market information. Investments whose values are based on inputs in markets that are not considered to be active, and are therefore classified with Level 2, include the United Jewish Endowment fund, and bonds issued by the State of Israel.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of June 30:

|                                     | 2017                |                   |             |                     |
|-------------------------------------|---------------------|-------------------|-------------|---------------------|
|                                     | Level 1             | Level 2           | Level 3     | Total               |
| Investments                         |                     |                   |             |                     |
| Cash and money market funds         | \$ 463,557          | \$ -              | \$ -        | \$ 463,557          |
| Equities                            | 1,555,170           | -                 | -           | 1,555,170           |
| Fixed income securities             | 675,720             | -                 | -           | 675,720             |
| United Jewish Endowment fund        | -                   | 217,689           | -           | 217,689             |
| Bonds issued by the State of Israel | -                   | 216,039           | -           | 216,039             |
| Total investments                   | <u>\$ 2,694,447</u> | <u>\$ 433,728</u> | <u>\$ -</u> | <u>\$ 3,128,175</u> |
|                                     |                     |                   |             |                     |
|                                     | 2016                |                   |             |                     |
|                                     | Level 1             | Level 2           | Level 3     | Total               |
| Investments                         |                     |                   |             |                     |
| Cash and money market funds         | \$ 252,021          | \$ -              | \$ -        | \$ 252,021          |
| Equities                            | 1,393,565           | -                 | -           | 1,393,565           |
| Fixed income securities             | 644,241             | -                 | -           | 644,241             |
| United Jewish Endowment fund        | -                   | 198,009           | -           | 198,009             |
| Bonds issued by the State of Israel | -                   | 176,251           | -           | 176,251             |
| Total investments                   | <u>\$ 2,289,827</u> | <u>\$ 374,260</u> | <u>\$ -</u> | <u>\$ 2,664,087</u> |



Jewish Foundation for Group Homes, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2017

Note 5 - Unconditional Promises to Give

Unconditional promises to give are comprised of the following at June 30:

|  | 2017       | 2016       |
|--|------------|------------|
| Unconditional promises to give due in less than one year | \$ 186,225 | \$ 245,535 |
| Unconditional promises to give due in one to five years  | 37,336     | 56,891     |
| Total unconditional promises to give                     | 223,561    | 302,426    |
| Allowance for doubtful accounts                          | (53,874)   | (81,953)   |
| Present value discount                                   | (2,250)    | (2,499)    |
| Net unconditional promises to give                       | \$ 167,437 | \$ 217,974 |

Note 6 - Property and Equipment

Property and equipment consisted of the following at June 30:

|                               | Estimated Useful Life | 2017          | 2016          |
|-------------------------------|-----------------------|---------------|---------------|
| Land                          | -                     | \$ 2,044,524  | \$ 2,044,524  |
| Buildings and improvements    | 30 years              | 12,632,724    | 12,249,926    |
| Furniture and equipment       | 5 years               | 1,323,402     | 1,308,602     |
| Vehicles                      | 5 years               | 1,003,601     | 881,090       |
| Construction in progress      | -                     | -             | 95,855        |
|                               |                       | 17,004,251    | 16,579,997    |
| Less accumulated depreciation |                       | (6,060,474)   | (5,926,308)   |
| Net property and equipment    |                       | \$ 10,943,777 | \$ 10,653,689 |

Depreciation and amortization expense was \$515,087 and \$472,166 for the years ended June 30, 2017 and 2016, respectively.

Jewish Foundation for Group Homes, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2017

Note 7 - Accrued Vacation

JFGH does not accrue vacation for employees because unused vacation time is rolled into the employee's sick leave which is not paid out upon termination of employment.

Note 8 - Line of Credit

JFGH has a revolving line of credit with a bank. The maximum borrowing potential was \$3,000,000 and \$1,750,000 as of June 30, 2017 and 2016, respectively. The line is secured by cash balances, accounts receivable, JFGH's personal property, and certain investments defined in the security agreement. The line bears interest at a floor of 4.5%. The balance outstanding on the line as of June 30, 2017 and 2016 was \$1,875,000 and \$1,435,000, respectively.

Note 9 - Deferred Grant Revenue

JFGH obtained grants from the State of Maryland for the purchase or renovation of certain group homes and the JFGH administrative building. For periods of thirty years, expiring in 2026 through 2036, the State has a right of recovery against the specific group home and JFGH administrative building, under certain circumstances, of an amount bearing the same ratio to the then current fair market value of the property as the amount of the State participation in the total eligible cost of the property. Such circumstances would include a sale or transfer to any person, agency or organization that would not qualify as an applicant or if the property ceases as a developmental disabilities facility. The total amount received from the State amounted to \$2,603,387, and is reflected in the statement of financial position as a long-term liability at June 30, 2017 and 2016.

Jewish Foundation for Group Homes, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2017

Note 10 - Notes Payable

Notes payable consisted of the following at June 30:

|   | 2017              | 2016               |
|---|-------------------|--------------------|
| Note payable for \$27,633 dated July 5, 2013 secured by a vehicle. Monthly installment payments of \$829 include interest at 5%. The note matures on July 5, 2016.  | \$ -              | \$ 826             |
| Deferred loan payable to Montgomery County Department of Housing and Community Affairs. The loan is made available through a zero percent interest loan. The loan is secured by a promissory note and will be forgiven after 3 years if the property is maintained as a group home. The note matured in August 2016 and was forgiven. | -                 | 13,523             |
| Note payable for \$50,000 dated November 13, 2015. Monthly installment payments of \$928 include interest at 4.25%. The note matures on November 13, 2020. The note is secured by cash balances, accounts receivable, personal property, and certain investments defined in the security agreement.                                   | 35,128            | 44,552             |
| Less current maturities   | 35,128<br>(9,832) | 58,901<br>(23,772) |
| Notes payable, long-term  | \$ 25,296         | \$ 35,129          |

Future maturities of the notes payable are as follows:

| Year Ended June 30 |           |
|--------------------|-----------|
| 2018               | \$ 9,832  |
| 2019               | 10,258    |
| 2020               | 10,703    |
| 2021               | 4,335     |
| Total              | \$ 35,128 |

Jewish Foundation for Group Homes, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2017

Note 11 - Deferred Mortgages Payable

Deferred mortgages payable consisted of the following at June 30:

|  | 2017       | 2016       |
|--|------------|------------|
| Mortgage payable to Fairfax County, Virginia dated April 26, 2007. The mortgage is non-interest bearing and does not require monthly payments. The mortgage is secured by a group home. The mortgage will be forgiven after 30 years if the property is maintained as a group home. Upon maturity of the mortgage or sale of the property, the County is entitled to 26% of the increase in market value of property over the market value at the time the mortgage was initiated. The mortgage matures in April 2037. | \$ 169,955 | \$ 169,955 |
| Mortgage payable to Fairfax County, Virginia dated April 26, 2007. The mortgage is non-interest bearing and does not require monthly payments. The mortgage is secured by a group home. The mortgage will be forgiven after 30 years if the property is maintained as a group home. Upon maturity of the mortgage or sale of the property, the County is entitled to 26% of the increase in market value of property over the market value at the time the mortgage was initiated. The mortgage matures in April 2037. | 149,582    | 149,582    |
| Mortgages payable, long-term   | \$ 319,537 | \$ 319,537 |

Interest expense for the line of credit, notes, mortgages payable, and capital leases for the years ended June 30, 2017 and 2016 amounted to \$49,500 and \$18,097, respectively.

Jewish Foundation for Group Homes, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2017

Note 12 - Capital Lease Obligations

JFGH has agreements for the lease of vehicles with a combined capitalized cost of \$612,048 and \$161,253 as of June 30, 2017 and 2016, respectively. The lease terms call for monthly payments ranging from \$389 to \$765 including interest at 4.25%. The leases terms are for 60 months and mature between December 2020 and January 2022. Accumulated depreciation on the leased vehicles for the years ended June 30, 2017 and 2016 was \$97,777 and \$7,897, respectively. Depreciation expense for the vehicles amounted to \$89,880 and \$7,897 for the years ended June 30, 2017 and 2016, respectively.

Future minimum lease payments under these leases are as follows:

| Year Ended June 30  |            |
|---|------------|
| 2018  | \$ 130,450 |
| 2019  | 130,450    |
| 2020  | 130,450    |
| 2021  | 152,042    |
| 2022  | 74,247     |
| Total minimum lease payments  | 617,639    |
| Less amounts representing interest  | (79,384)   |
| Present value of minimum lease payments<br>(including current portion of \$101,557) | \$ 538,255 |

Note 13 - Commitment - Operating Lease

JFGH entered into a non-cancelable lease agreement for property in Fairfax, Virginia. The term of the lease is from November 1, 2011 through October 31, 2016. On August 27, 2015 the lease was renewed commencing on November 1, 2016 and expiring on October 31, 2018. Monthly rent as of June 30, 2017 was \$2,394.

JFGH entered into a lease agreement on May 13, 2016 for an apartment in Potomac, Maryland. The term of the lease is from May 18, 2016 to May 17, 2018. Monthly rent as of June 30, 2017 was \$2,015.

JFGH entered into a lease agreement on May 13, 2016 for an apartment in Potomac, Maryland. The term of the lease is from May 18, 2016 to May 17, 2018. Monthly rent as of June 30, 2017 was \$2,304.

Total rent expense for the years ended June 30, 2017 and 2016 was \$128,149 and \$84,597, respectively.

Jewish Foundation for Group Homes, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2017

Note 13 - Commitment - Operating Lease (Cont.)

Future minimum lease payments due are as follows through maturity:

| <u>Year Ended June 30</u> |                   |
|---------------------------|-------------------|
| 2018                      | \$ 98,719         |
| 2019                      | <u>20,937</u>     |
| Total                     | <u>\$ 119,656</u> |

Note 14 - Special Events

The direct costs of special events have been netted with contributions and fundraising revenue on the statement of activities. Special event direct expenses amounted to \$388,245 and \$359,857 for the years ended June 30, 2017 and 2016, respectively.

Note 15 - Retirement Plans

All employees of JFGH are eligible to participate in a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code. Employees may elect to contribute up to 20% of their salary, up to a maximum amount established by federal regulations. JFGH does not contribute to this plan.

JFGH sponsors a non-participatory defined contribution plan. All employees except highly compensated individuals, as defined, are eligible for this plan. JFGH's annual contribution to this plan is determined by the Board of Directors and is allocated to participants based upon length of service.

JFGH has an IRC section 457(b) plan to supplement retirement income for certain key members of the JFGH's executive management team. JFGH's annual contribution to this plan is determined by the Board of Directors and is allocated to participants based upon years of service and compensation level.

JFGH's contributions to the Plans for the years ended June 30, 2017 and 2016 was \$144,924 and \$140,173, respectively.

Jewish Foundation for Group Homes, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2017

Note 16 - Beneficial Interest in the Assets of Jewish Foundation for Group Homes Endowment, Inc.

The following are the changes in the Endowment net assets for the years ended June 30, 2017 and 2016:

|  | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>         |
|--|-----------------------------------|-----------------------------------|----------------------|
| Endowment net assets at June 30, 2015      | \$ 10,907,048                     | \$ 566,902                        | \$ 11,473,950        |
| Investment return:                         |                                   |                                   |                      |
| Investment income (net)                    | 185,404                           | 9,918                             | 195,322              |
| Net appreciation (realized and unrealized) | 259,170                           | 14,128                            | 273,298              |
| Contributions                              | 53,828                            | 2,700                             | 56,528               |
| Amounts appropriated for expenditure       | <u>(472,325)</u>                  | <u>(22,772)</u>                   | <u>(495,097)</u>     |
| Endowment net assets at June 30, 2016      | 10,933,125                        | 570,876                           | 11,504,001           |
| Investment return:                         |                                   |                                   |                      |
| Investment income (net)                    | 206,240                           | 10,900                            | 217,140              |
| Net appreciation (realized and unrealized) | 1,478,246                         | 78,095                            | 1,556,341            |
| Contributions                              | 31,856                            | 2,780                             | 34,636               |
| Amounts appropriated for expenditure       | <u>(533,616)</u>                  | <u>-</u>                          | <u>(533,616)</u>     |
| Endowment net assets at June 30, 2017      | <u>\$ 12,115,851</u>              | <u>\$ 662,651</u>                 | <u>\$ 12,778,502</u> |

Note 17 - Related Party Transactions

JFGH provides management, finance and accounting services for Jewish Foundation for Group Homes Endowment, Inc. (JFGH-E). For the years ended June 30, 2017 and 2016, JFGH charged JFGH-E \$13,500 for these services. JFGH-E also reimbursed JFGH \$-0- and \$6,695 for audit fees for the years ended June 30, 2017 and 2016, respectively.

JFGH utilizes an employee benefits company that is partially owned by a member of the JFGH's Board of Directors. JFGH did not pay commissions to the Board member during the years ended June 30, 2017 and 2016.

Jewish Foundation for Group Homes, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2017

Note 18 - Board Designated Net Assets

The Board of Directors of JFGH have designated funds for the following purposes at June 30:

|                   | <u>2017</u>         | <u>2016</u>         |
|-------------------|---------------------|---------------------|
| Operating reserve | \$ 1,035,455        | \$ 785,983          |
| Capital reserve   | <u>900,000</u>      | <u>900,000</u>      |
|                   | <u>\$ 1,935,455</u> | <u>\$ 1,685,983</u> |

Note 19 - Temporarily Restricted Net Assets

JFGH's temporarily restricted net assets consist of funds restricted for the following purposes at June 30:

|  | <u>2017</u>         | <u>2016</u>       |
|--|---------------------|-------------------|
| Naming rights of residential homes               | \$ 512,497          | \$ -              |
| Program operations                               | 232,810             | 212,144           |
| Resident and sibling support                     | 80,000              | 120,000           |
| New or enhanced modalities exploration           | 75,000              | -                 |
| Community inclusion and recreation               | 73,715              | 72,967            |
| Group home renovations, maintenance, and support | 59,526              | 82,049            |
| Trips for residents to Israel                    | 25,997              | 23,032            |
| Direct care personnel costs                      | 25,000              | -                 |
| Special events                                   | 20,654              | 14,558            |
| Art activities                                   | 18,438              | 16,186            |
| Resident health, medical, and dental expenses    | 15,217              | 18,596            |
| Jewish living program                            | <u>1,430</u>        | <u>-</u>          |
|  | <u>\$ 1,140,284</u> | <u>\$ 559,532</u> |



Jewish Foundation for Group Homes, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2017

Note 19 - Temporarily Restricted Net Assets (Cont.)

JFGH-E's temporarily restricted net assets consist of funds restricted for the following purposes at June 30:

|  | 2017          | 2016          |
|--|---------------|---------------|
| Program operations                                     | \$ 6,019,534  | \$ 5,450,375  |
| Group home renovations, maintenance, and support       | 3,371,598     | 3,045,108     |
| Resident health, medical, and dental expenses          | 634,749       | 572,390       |
| Direct care personnel cost and training                | 495,680       | 431,826       |
| Visual arts and cultural activities                    | 461,725       | 418,254       |
| Personal support program                               | 388,533       | 351,961       |
| Special events   | 226,026       | 204,049       |
| Jewish living program                                  | 144,869       | 130,918       |
| Building maintenance                                   | 128,320       | 116,241       |
| Vehicle purchase and maintenance                       | 119,391       | 108,152       |
| Support for residents and families on the waiting list | 66,981        | 52,525        |
| Resident and sibling support                           | 58,445        | 51,326        |
|  | \$ 12,115,851 | \$ 10,933,125 |

Note 20 - Permanently Restricted Net Assets

JFGH-E's permanently restricted net assets consist of funds restricted for the following purposes at June 30:

|                                      | 2017       | 2016       |
|--------------------------------------|------------|------------|
| Vehicle purchase and maintenance     | \$ 251,886 | \$ 217,915 |
| Financial assistance for individuals | 163,705    | 141,627    |
| Medical and nursing expenses         | 141,218    | 119,767    |
| Virginia residence operations        | 105,842    | 91,567     |
|                                      | \$ 662,651 | \$ 570,876 |

Jewish Foundation for Group Homes, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2017

Note 21 - Net Assets - Endowment

JFGH-E's endowment holdings consist of contributions of donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the nature of donor-imposed restrictions.

JFGH-E's endowment funds are managed and invested consistent with the standards prescribed by Section 15-402 of the Maryland Uniform Prudent Management of Institutional Funds Act (UPMIFA). The JFGH-E Board of Trustees annually directs the investment manager to disburse to a JFGH designated operating account an amount as determined by JFGH-E's spending policy. That amount, consistent with UPMIFA Section 15-403, currently is set at 5% of the average endowment funds' year-end balances over the prior three calendar years.

Endowment funds by net asset class and changes in endowment net assets are as follows as of June 30:

|  | Temporarily<br>Restricted<br>JFGH-E | Permanently<br>Restricted<br>JFGH-E | Total<br>Endowment<br>Net Assets |
|--|-------------------------------------|-------------------------------------|----------------------------------|
| <u>2017</u>                                |                                     |                                     |                                  |
| Endowment net assets, beginning of year    | \$10,933,125                        | \$ 570,876                          | \$ 11,504,001                    |
| Contributions                              | 31,856                              | 2,780                               | 34,636                           |
| Investment income, net of investment fees  | 206,240                             | 10,900                              | 217,140                          |
| Net appreciation (realized and unrealized) | 1,478,246                           | 78,095                              | 1,556,341                        |
| Amounts appropriated for expenditure       | (533,616)                           | -                                   | (533,616)                        |
| Endowment net assets, end of year          | <u>\$12,115,851</u>                 | <u>\$ 662,651</u>                   | <u>\$ 12,778,502</u>             |
| <u>2016</u>                                |                                     |                                     |                                  |
| Endowment net assets, beginning of year    | \$10,907,048                        | \$ 566,902                          | \$ 11,473,950                    |
| Contributions                              | 185,404                             | 2,700                               | 188,104                          |
| Investment income, net of investment fees  | 259,170                             | 9,918                               | 269,088                          |
| Net appreciation (realized and unrealized) | 53,828                              | 14,128                              | 67,956                           |
| Amounts appropriated for expenditure       | (472,325)                           | (22,772)                            | (495,097)                        |
| Endowment net assets, end of year          | <u>\$10,933,125</u>                 | <u>\$ 570,876</u>                   | <u>\$ 11,504,001</u>             |

Jewish Foundation for Group Homes, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
June 30, 2017

Note 22 - Contingent Liabilities

JFGH receives a substantial portion of its revenue from governmental grants and contracts, all of which are subject to audits by the government. Until such audits have been completed and final settlement reached, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management of JFGH is of the opinion that no significant liability will result from audit adjustments, if any.

During the years ended June 30, 2017 and 2016, JFGH received grant funds in the amount of \$48,199 and \$54,575, respectively, from the State of Maryland for capital projects to group homes. The grant agreement includes a disposition clause whereby JFGH may not sell or otherwise transfer or dispose of real or personal property acquired with grant funds without prior written consent from the State. If the State elects to permit any such transfer or disposition, it may, in its sole discretion, require that JFGH thereupon repay the State a percentage of the proceeds allocable to the grant that was used to acquire such property.

Note 23 - Significant Funding Source

JFGH receives a majority of its revenues from government fees and grants. JFGH is highly dependent upon its government funding to continue its operations.

Note 24 - Subsequent Events

JFGH has evaluated the impact of significant subsequent events. Except for the following, there have been no subsequent events through November 17, 2017, the date JFGH's financial statements were available to be issued, that require recognition or disclosure.

JFGH entered into two apartment lease agreements in November 2017. The lease terms are for 12 months and expire in November 2018. Aggregate monthly rent for the two properties is \$2,900 for the term of the leases.

On October 30, 2017 JFGH filed Articles of Organization for JFGH Leasing, LLC in the State of Maryland. JFGH is the sole member of the company.

On October 30, 2017 JFGH filed Articles of Organization for JFGH Homeownership, LLC in the State of Maryland. JFGH is the sole member of the company.

On October 30, 2017 JFGH filed Articles of Organization for JFGH Leasing PP, LLC in the State of Maryland. JFGH is the sole member of the company.